
The Guaranty Purchase and Liquidation Processes for 7(a) Loans at the National Guaranty Purchase Center

www.sba.gov/banking

National Guaranty Purchase Center (NGPC) in Herndon, VA

- Process Changes
- Ten Tab Submissions & Changes
- Pillars of the Purchase Request Review
- Common Reasons for Repairs and Denials
- CPC Tabs
- Unilateral Action Matrix
- Quarterly Status and Wrap-Up Reports

Center Management

- Vanessa Piccioni, Director
- Grace Gatell, Center Counsel
- Kevin Hardy, Assistant Director for 7(a) Purchases & Liquidation
- Dana Relyea, Assistant Director for Quality Assurance
- Joyce Jackson, Assistant Director for Center Operations
- John A. Miller, Director, Financial Program Operations
(responsible for overseeing all 9 loan operations centers)

SBA's Renewed Focus

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GOAL:

**To Meet or Beat the Guaranty
Purchase Brand Promise to Lenders
and Respond to all Liquidation
Requests in a Timely Fashion**

KEY SUCCESSES:

- ❑ **Have delivered 45-day turnaround on all incoming “Reviewable” Purchase Packages accepted under the brand promise since November 1, 2007.**
- ❑ **Created a Center/ Field Customer Service Model that facilitates the submission of “reviewable” purchase packages, assists in resolving purchase request issues, and monitors lender servicing satisfaction.**
- ❑ **Developed a Standard, Auditable, Purchase Review Process which includes the 10-Tab purchase package, Purchase Operations Manual, and automated recommendation process.**

The new GP process has been redesigned to eliminate redundancies and improve timeliness of the purchase

Key Features of New Process

- Process has been redesigned to eliminate redundancies and increase customer satisfaction.
- Rewards Lenders that submit complete purchase packages using the 10-Tab System.
- Complete and auditable purchase packages are accepted under the brand-promise and processed generally with 20-25 days. Overall turnaround is 30 days.

The new GP process has been redesigned to eliminate redundancies and improve timeliness of the purchase

Key Features of New Process

- **New Quality Assurance Process –**
 - Provides an “in-house” appeal process in Herndon.
 - If a guaranty purchase is recommended for denial or contested repair, the staff in Quality Assurance Division reviews the case to ensure the recommendation is appropriate.
 - The QA staff reviews the file, works with the lender to discuss the issues and obtains any additional information relevant to the case before sending the file to Headquarters.
 - If the QA staff agrees with the original recommendation, the case is forwarded to HQ for final decision.

The new GP process has been redesigned to eliminate redundancies and improve timeliness of the purchase

Key Features of New Process

Quality Assurance Policy Forums

- The Center has developed QA Policy Forums.
- It is a group of representatives from various SBA offices that meets periodically in Herndon and via conference call to discuss:
 - Clarifications to policy interpretations
 - Materiality of various errors and omissions
 - Establishing consistent, practical, applications of policy in making purchase decisions.

- The SBA regulations established the “Rule of Two” that all of the Centers must follow.
- This requires that one SBA official make a recommendation and another approve it.
- We are also required to have an attorney review each purchase request.
- Every purchase request is reviewed by a minimum of three SBA employees.

Guaranty Purchase Flow

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- Intake
- Screening
- Legal 1
- Financial Review
- Legal 2 (if charge-off is recommended or deficiency was identified during purchase review)
- Approval
- Quality Assurance
- Headquarters (final review for contested denials and partial denials)

How to Submit a Perfect Purchase Package

- Start at origination! Organize and build your loan files following the mandatory 10-Tab System used to organize purchase requests. Audit yourself – are all forms & documentation in order?
- Thoroughly follow instructions and provide complete information to speed up the purchase request process.
- ALWAYS go the NGPC website to get up-to-date instructions and forms! www.sba.gov/banking

How to Submit a Perfect Purchase Package

- There are several ways to send a package:
 - Paper format via the mail
 - Electronic on CD via the mail
 - Electronic via Send this File
- Electronic is the preferred method, and using Send This File is the most expeditious and reliable.
 - To get information on Send This File, visit our website or contact our IT specialist at richard.geyer@sba.gov

New Tabs Structure

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Regular 7(a) Guaranty Purchase Package Tabs
Version dated 1/22/2010 Print Form

This page and the following Tab Pages were designed to help you assemble your guaranty purchase request package. The use of the following Tab Pages is mandatory for all guaranty purchase packages. Please read and follow instructions provided on each tab sheet. Failure to meet the requirements outlined in these instructions could result in unnecessary delays and/or possible return of the purchase package. If you are unable to provide required documents, please explain in advance to expedite processing. To help organize your package submission, we recommend using bright colored paper or numerical dividers found in office supply stores. Please ensure that all documents are clearly labeled, stapled or clipped, and presented in the order outlined on this page behind the appropriate tab.

Thank you for your cooperation!

For streamlined purchase of loans where SBA's share of the remaining balance is under \$10,000 Please go to last page for instructions.

Current versions of the [Tab Pages](#) can be found on the SBA Website.

Tab 1 - Demand Letter	Tab 7 - Early Default
Tab 2 - Loan Authorization	<ul style="list-style-type: none">IRS Income Tax Verification
Tab 3 - Eligibility	<ul style="list-style-type: none">Evidence of Equity/Asset InjectionStandby Agreement and NoteCredit MemorandumStatement of Personal History (Form 912)
<ul style="list-style-type: none">PLP Loan Eligibility Checklist OR LowDoc Loan Eligibility ChecklistEligibility Statement for STAR Loan ProgramFranchise Agreement	Tab 8 - Reconciliation of Business Personal Property Collateral
Tab 4 - Legal Documentation	Tab 9 - Collateral Disposition
<ul style="list-style-type: none">NoteGuarantiesSecurity AgreementsUCC Lien Searches showing SBA's lienTitle Insurance and Recorded Deeds of Trust/MortgagesPurchase/Sale AgreementLegal PleadingsOther	<ul style="list-style-type: none">AppraisalsSite Visit ReportReport of Sale or Release of CollateralLiquidation Wrap-Up Report
Tab 5 - Settlement Sheets	Tab 10 - General Information
Tab 6 - Transcript of Account	<ul style="list-style-type: none">Wire Transfer FormRisk Management FormEnvironmental QuestionnairePhase I and/or Phase II Environmental ReportComplete Lender's FileOther Documents (Assumption Agreements, Compensation Agreement, etc.)Reason for Business Failure

Under 13 CFR 120.520(b), SBA is not obligated to purchase the guaranteed portion of a loan unless a Lender has submitted to SBA documentation that SBA deems sufficient to allow SBA to determine whether purchase of the guaranty is warranted. Additionally, under 13 CFR 120.520(c), a lender's failure to provide sufficient post-purchase documentation may lead to an initiation of an action for recovery from the lender for moneys paid by SBA to a registered holder on a guaranty. For these reasons, SBA has the right to request additional documentation other than the items listed on this index, and the Lender must comply with SBA's request.

U.S. Small Business Administration National Guaranty Purchase Center, Herndon, Virginia 20170

- The cover sheet of the Tabs explains the process and outlines the categories to be addressed behind each tab.
- The documents are arranged in logical groups to facilitate package submission.
- The Tabs are available on the SBA website as a fill-able PDF with links to all mandatory and suggested forms and all documents needed in the purchase review process are located at www.sba.gov/banking. Click on National Guaranty Purchase Center and look for forms library or the **Red Arrow**

Tab 1- Making Demand

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Demand that SBA Honor Its Guaranty

1

Required

In order for SBA to process the guaranty purchase request, the lender must use the preformatted [Demand Letter](#), signed by an authorized officer of the lending institution.

If the purchase has already occurred and you are submitting a post purchase package no demand letter is required. Simply check this box. ☐

Prior to Submitting Purchase Request

- * The Lender must contact the appropriate SBA Servicing Center to request that the loan be placed in liquidation status and transferred to the NIGPC.
- * The LowDoc program requires lender to liquidate business personal property prior to requesting guaranty purchase, unless in litigation or bankruptcy.

Has business personal property been liquidated?

☐ Yes ☐ No

If No, please explain.

- * For all loans approved on or after May 14, 2007, the lender must liquidate all business personal property prior to requesting guaranty purchase unless the borrower has filed for bankruptcy or the loan has been sold in the secondary market and the lender has declined to purchase.

Has all business personal property securing the loan been liquidated?

☐ Yes ☐ No

If No, please explain.

- * The regulations require that a demand for purchase be submitted within 180 days of maturity of the loan or within 180 days of the completion of liquidation or debt collection litigation in connection with a matured loan. Please check the maturity date of this loan to ensure that the loan is within these guidelines since SBA will be released from its guarantee if it is not. If the maturity occurred more than 180 days ago, please provide a written explanation why demand was not made.

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Demand that SBA Honor Its Guaranty

- Please be sure to read Tab 1 carefully and answer the questions presented.
- LowDoc loans must be fully liquidated prior to requesting purchase.
- Loan approved on or after May 14, 2007, must have all business personal property liquidated prior to guaranty purchase.

Updated Demand Letter

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Request to Honor SBA 7(a) Loan Guaranty

Date: _____
 Loan Number: _____ Loan Name: _____
 [Lender Contact Person] [Lender Phone number]
 [Lender Street Address] [Lender Email]
 [Lender City, State Zip] [Lender Fax Number]

Enclosed you will find the required documents in support of the following:

- ☐ **Pre-Purchase**
 Request that SBA purchase the guaranteed portion directly from our institution as this loan has not been sold in the secondary market, or our institution has purchased the sold portion from the secondary market holder and is now making request for purchase directly to SBA. *(If lender has purchased the sold portion, please make sure SBA's Fiscal Transfer Agent's records reflect a paid status prior to submitting your request for purchase to SBA)*
- ☐ **Secondary Market Purchase with Post Purchase Package**
 Request that SBA purchase the guaranteed portion of a loan that has been sold in the secondary market, and our institution will not purchase. This request includes a complete post purchase review package.
- ☐ **Secondary Market Purchase**
 Request that SBA purchase the guaranteed portion on a loan that has been sold in the secondary market, and our institution will not purchase. This request does not include a post purchase review package. The post purchase review package will be provided under separate cover within 15 business days of SBA's purchase of the guaranteed portion of the loan.

I, [Officer of the Bank, Title] _____, hereby certify, represent and warrant on behalf of [Lender] _____ that all information and documentation submitted to the U.S. Small Business Administration in connection with this purchase request and/or post purchase review package is accurate, genuine and complete and contains true copies of [Lender's] _____ records for this loan. I further certify that I have personally reviewed and confirmed, based upon [Lender's] _____ records, the copy of [Lender's] _____ Transcript of Account with respect to this loan provided herewith and that to the best of my knowledge and belief the information contained therein is true and accurate. I also certify to the best of my knowledge and belief that [Lender] _____ has materially complied with the SBA Loan Program Requirements (as defined in 13 CFR 120.10) applicable to this loan.

By signing below, I represent and warrant that I have the proper authority to execute this document on behalf of [Lender] _____

Signature: _____ Date: _____

- New mandatory Demand Letter can be used for pre-purchase demands as well as secondary market purchase demands and post purchase reviews.
- Please be sure you check the correct box to ensure proper routing in the Center.
- Global certification feature designed to decrease follow-up signature requests to lenders. Please be sure that an authorized bank representative signs the letter.

Tab 2 – Loan Authorization

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Executed Loan Authorization and Any Amendments

2

Required

The Loan Authorization is the most important document in your purchase package request. The Loan Authorization contains the terms and conditions the lender must meet in order to validate the SBA Guaranty.

Please use your Loan Authorization and instructions on each tab to determine which documents are required for submission.

- * Please note that if there is a companion loan(s) associated with the loan for which you are requesting purchase, you must include a copy of the Loan Authorization for that loan as well.

Does the loan for which you are requesting purchase have a companion loan(s)?

☐ Yes ☐ No

If Yes, please include a copy of the Loan Authorization(s) for that loan and write the loan number(s) in the space provided below:

Companion Loan Number(s)

Companion loans are broadly defined as SBA Guaranteed loans originated by the same lender to the same borrower.

- * **NOTE - For 7(a) Recovery Act loans, approved by SBA on or after 2/17/2009,** Lenders must ensure that the Loan Authorization includes additional documentation requirements, restrictions and mandatory certifications outlined in the law (P.L. 111-5). Specifically, the required language pertaining to compliance with Immigration laws and borrower certification of hiring practices for loans made under Section 502 of the Recovery Act of 2009; and, allowable uses of Recovery Act funds for loans made under Sections 501 and 502 of the Recovery Act of 2009.

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Executed Loan Authorization and Any Amendments

- The most important, required document in the guaranty purchase process is the Loan Authorization AND any Amendments

- Read this document carefully, as it will dictate what documents will need to be provided later

- At this stage pay particular attention to collateral taken, use of proceeds, lien positions, and guarantors as they will be critical on later tabs

- Include ANY loan modification documents as well as deferments, workout agreements, interest rate adjustments, and payment revisions. Center staff only need to know that they occurred and were properly executed. SBA generally will not question prudent decisions by the lender if they are documented and executed properly.

- Please be sure to include information on companion loans.

- See new NOTE on Recovery Act Loans

Tab 3 - Eligibility Requirements

Required	Eligibility	3
<p>A. Type of Business: <input type="text"/></p> <p>(e.g. restaurant, medical services, consulting, etc.)</p>		
<p>B. Select the Special Program under which the loan was originated (select all that apply):</p> <p> <input type="checkbox"/> PLP <input type="checkbox"/> LowDoc <input type="checkbox"/> CLP <input type="checkbox"/> 7(a) Recovery Act <input type="checkbox"/> STAR Loan <input type="checkbox"/> None of the Above. </p>		
<p>Evidence of eligibility must be provided as follows:</p> <ul style="list-style-type: none"> For PLP loans, provide the PLP Loan Eligibility Checklist and any supporting documentation used in the eligibility determination. For LowDoc loans, provide the SBA LowDoc Eligibility Checklist and any supporting documentation. For 7(a) Recovery Act loans of 2009 with an Increased guaranty, submit Borrower and/or Operating Company certifications of compliance with Immigration laws and hiring practices prior to loan disbursement. (Section 502(c)(2) of the Recovery Act of 2009, P.L. 111-5). This certification is mandatory and is <u>in addition</u> to the existing disclosure requirement on SBA Form 912 Statement of Personal History. Also include applicable eligibility questionnaires and checklists certifying that no proceeds will be used for a restricted use. For STAR Loans, provide eligibility statement or explain its absence. 		
<p>C. Was the business a franchise/dealership?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If Yes, is the franchise on The Franchise Registry?</p> <p>If Yes, please provide a Certificate of No Change to ensure that no changes to the agreement have occurred. <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If No, please provide a copy of the Franchise/Dealership Agreement.</p>		
<p>D. Did the business sell fuel/gasoline?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If Yes, provide fuel supply agreement or jobber agreement.</p>		
	Eligibility	3

•Please provide required eligibility checklist.

•If the loan was made to a franchise or dealership, it must be on the franchise registry. If not, you must provide a copy of the franchise agreement to ensure it was an eligible franchise. If it is on the registry, please provide a certificate of no change.

•If the business sold fuel or gasoline, you must provide a copy of the fuel supply or jobber agreement.

•Please note the additional requirements for Recovery Act Loans

Tab 4 – Legal Documentation

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Legal Documentation	4
Required	
A. Note (SBA Form 147) is mandatory for all loans. You must also submit copies of any Note Modifications, Amendments, Deferments, and Workout Agreements to include all revised repayment terms including dates, interest rate adjustments, and payment revisions. For Secondary Market loans, lender must provide evidence of investor's approval of modifications, as applicable.	
B. Other Legal Documents (provide all that are applicable and see corresponding definitions to fully understand the required documents.)	
<input type="checkbox"/> Guaranties (SBA Form 148)	
<input type="checkbox"/> Security Agreement	
<input type="checkbox"/> UCC Lien Search	
<input type="checkbox"/> Title Insurance and Recorded Deeds of Trust/Mortgages	
<input type="checkbox"/> Purchase/Sale Agreement	
<input type="checkbox"/> Legal Pleadings (Bankruptcy filings, etc.)	
Other (e.g. Certificate of Ownership and/or Certificate of Title of Vehicles or Manufactured Homes, Assignment of CDs or Stock, Assignment of Life Insurance, Landlord's Subordination, Lease Agreement). Provide evidence.	
If not applicable, proceed to the next step. If any applicable, follow instructions below. If applicable but not provided, please explain.	
Guaranties Use of SBA Form 148 is mandatory when a guaranty is required.	
Security Agreement If a lien on business personal property is required in the Loan Authorization, a Security Agreement is required. Use of SBA Form 1059 is optional.	

- Tab 4 outlines the documentation required for the majority of the Legal Review.

- We must receive a copy of the original Note along with any modifications or amendments.

- Other required documents if applicable are:

- Guaranties

- Security Agreements

- UCC Lien Searches

- Title Insurance

- Purchase/Sale Agreements

- Review your Loan Authorization when completing this tab.

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- 18

Tab 6 - Transcript of Account

Certified Transcript of Account **6**

Required

The certified transcript of account is a document which accounts for the disbursement of loan proceeds and applications of payments.

[SBA Form 1149](#) is the Agency's preferred Transcript of Account Form. All transcripts of account, including the SBA Form 1149 must contain the following:

1. SBA loan name and 10 Digit loan number.
2. Method used for interest computation (360 day or 365 day). SBA calculates interest based on 365 days.
3. Date and amount of each disbursement.
4. Date and amount of each payment showing principal and interest applications.
5. Show interest *From* and *To* dates for each payment application.
6. Date interest rate changes occur.
7. Next payment due date (defined as the "default date"). (Add to SBA Form 1149.
8. If applicable, amount of Lender's successful bid at foreclosure sale (reflected on the transcript as a credit to the principal balance).
9. Record of all recoveries and expenses - legal fees will be paid separately, if approved.
10. Indicate all deferments. (Add to SBA Form 1149.)
 - a. Dates.
 - b. Principal and Interest or Interest Only.

Note: With the exception of loans purchased from the secondary market by SBA, lenders may deduct 120 days of interest from liquidation proceeds which then should be shown on the transcript of account.

Certified Transcript of Account **6**

- The transcript is one of the major areas that causes delays in processing the purchase request
- SBA encourages the use of SBA Form 1149
- If the Lenders choose not to use the 1149, the transcript submitted **MUST** contain all of the of the information required on the Form 1149
- It is critical to note the next payment due date
- Also critical to indicate any/all deferments or loan modifications
- Use SBA loan number, not lender's number
- Enter ALL payments and provide interest paid "from" and "to" dates
- Show interest rate adjustments according to Note terms

Tab 6 - Transcript of Account

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SBA From 1149

[illegible]

Tab 7 - Early Default Requirements

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Early Default **7**

Did this loan default within 18 months from initial loan disbursement?

☐ Yes ☐ No

If No, disregard this tab.

If Yes, answer the following questions and follow instructions below.

Is this a PLP loan?

☐ Yes ☐ No

Was equity injection required?

☐ Yes ☐ No

Was Standby Agreement required as part of borrower's equity injection?

☐ Yes ☐ No

Is there a Note as a result of the Standby Agreement?

☐ Yes ☐ No

If yes, please include a copy of the Note.

For **all** early defaults, the lender must provide IRS income tax verification and evidence of equity injection. In cases when Standby Agreement is required as part of borrower's equity injection, lender must provide the **Standby Agreement**. For PLP loans, Credit Memorandum and Statement of Personal History (**Form 912**) must be provided. For additional information and instructions regarding each requirement, please see below.

IRS Income Tax Verification

Lender must provide copies of IRS tax transcripts and the financial statements and/or other financial information submitted by the applicant/seller that were compared with the tax transcripts in the lender's credit analysis during the loan origination process.

Was the purpose of the loan to finance a start-up?

☐ Yes ☐ No

If yes, IRS verification was not required

Was financial information verified against IRS Tax transcript?

☐ Yes ☐ No

If No, provide an explanation. If Yes, were any discrepancies noted?

☐ Yes ☐ No

If Yes, note the discrepancies and how they were resolved.

See Next Page for Other Document Instructions.

Early Default **7**

- New definition used: Default occurs within 18 months from initial disbursement
- Early Defaults are always a high focus area
- Pay particular attention to equity/asset injections, if required
- Please note the requirement for a Credit Memorandum and documentation for Early Defaulted PLP loans
- IRS Income Tax Verification is also required for Early Default Loans
- SBA Form 912 – Statement of Personal History is also required

Tab 8 and 9 - Collateral Tabs

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Reconciliation of Business Personal Property Collateral 8

Is this documentation required based on your Loan Authorization?

☐ Yes ☐ No

If No, disregard this Tab. If Yes, follow instructions below. If required by Loan Authorization but not provided, please explain.

The lender must itemize all original collateral with unit value of \$5,000 or more specified in the Loan Authorization. Lender must include a brief description and, when applicable, a serial number.

Lender must provide proof of perfection of a required security interest in motor vehicles or manufactured homes, if applicable. The lender must provide copies of certificates of ownership and/or title for any vehicles with their VIN recorded on it.

The lender must then reconcile the original list of collateral against an updated list of collateral items obtained from the post-default site visit or appraisal. Any discrepancies between these two lists must be explained.

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Reconciliation of Business Personal Property Collateral

Collateral Disposition

9

- Lenders **MUST** itemize all collateral with a unit value of \$5,000 or more.
- Lenders **MUST** reconcile all original collateral against list of post-default collateral.
- Lender **MUST** show evidence of attempts to secure and safeguard collateral post-default and provide a post-default Site Visit Report.
- Provide Report of Sale of collateral or other disposition activity.
- Wrap-up Report or Status of Liquidation to Date
- Abandonment of collateral **MUST** be justified and documented.
- Lenders **MUST** notify SBA if they will continue collections/servicing actions- otherwise Treasury will continue collections against all guarantors.

Tab 10 - General Information

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10

General Information

Please mark the documents you are providing in this Tab:

<p>Required Documentation</p> <p><input type="checkbox"/> Wire Transfer Form</p> <p><input type="checkbox"/> Risk Management Database Form</p> <p>Required by Loan Authorization</p> <p><input type="checkbox"/> Environmental Questionnaire</p> <p><input type="checkbox"/> Phase I and / or Phase II Environmental Report</p> <p>If required by Loan Authorization but not provided, please explain.</p>	<p>Required Documentation, As Applicable</p> <p><input type="checkbox"/> Complete lender's File (only if PLP loan defaulted within 12 months from initial disbursement and SBA share exceeds \$250,000)</p> <p><input type="checkbox"/> Assumption Agreement(s)</p> <p><input type="checkbox"/> Compensation Agreement and breakdown</p> <p><input type="checkbox"/> All CPC Expenses and only Legal Expenses under \$10,000 w/supporting documentation</p> <p><input type="checkbox"/> Other </p>
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Please follow instructions below to determine submission requirements.

Wire Transfer Form
 SBA requires the use of the SBA [Wire Transfer Form](#).

Risk Management Database Form
 Section 102 of the Small Business Programs Improvement Act of 1996 requires SBA to report on the performance of its business loan portfolio utilizing a [Risk Management Database](#). To comply with this requirement, SBA must compile statistical data on every business loan SBA makes or guarantees, and must calculate certain key ratios for entry into the database along with collateral information for every loan submitted for purchase. By assisting the underwriting characteristics of each loan at the time of application, SBA may gain significant insight into causes of default. This form is required with all purchase requests.

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General Information

- Wire Transfer Form is required to ensure prompt and correct payment
- Risk Management Database form is required
- This Tab should include any other documents relevant for guaranty purchase review or required by the loan authorization
- Phase 1 and/or 2 Environmental Reports must be included if applicable
- Special Circumstance: For PLP loans where the default occurred within 12 months from initial disbursement and SBA's share exceeds \$250,000, IG requires the lender to submit entire loan file at purchase.
- Care and Preservation of Collateral and Legal Expense Reimbursements
- Please note new requirement for fee refund verification on Recovery Act Loans

The Four Facets of a Guaranty Purchase Review

- **Origination:** Determine that the loan was originated in accordance with regulations and Standard Operating Procedures in place at the time of origination.
- **Closing:** Evaluate whether the loan was closed in accordance with the Loan Authorization.
- **Servicing:** Evaluate whether the servicing of the loan was in accordance with the loan documents, regulations, and prudent lending practices – and whether those actions caused harm to the Agency.
- **Liquidation:** Evaluate whether the liquidation and collection on the defaulted loan was prudent and followed program guidelines.

Possible Outcomes of Guaranty Purchase Review

- **Purchase:** Purchase request is complete, there is no harm to the Agency, and meets all criteria for honoring the payment in full. A decision to fund is reached within the 45-day Brand Promise.
- **Repair:** A decision is reached to honor the guaranty, but not in the full amount, due to a material deficiency during origination, closing, servicing, and/or liquidation.
- **Denial:** A decision is reached to deny the guaranty in full. This must have headquarters concurrence.
- **Cancel/Terminate:** Based on the facts of the case, the lender chooses to cancel or terminate the guaranty.
- **Withdraw:** Lender needs more time to collect documents and provide additional information, therefore withdraws the request. The guaranty is still in full effect and the purchase request can be made anytime thereafter.

Materiality

- **NGPC focuses on ‘material’ deficiencies that cause a significant loss or harm to SBA, or are a matter of program integrity**
- **Origination and Closing Actions**
 - **Examples: Eligibility and franchise issues, Lack of equity injection (early defaults), missing IRS verification (early defaults), lack of evidence of disbursements**
- **Servicing Actions**
 - **Examples: Improper subordinations, unjustified release of collateral or guarantors, lapse of liens, and Lender preference issues**
- **Liquidation Actions**
 - **Lack of timely site visits after default or adverse event which causes a loss to the Agency**
 - **Lack of comprehensive inventory at time of site visit which causes a loss to the Agency**
 - **Failure to maximize recovery (deficient pursuit of collateral or obligors)**

Helpful Purchase Tips

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- Providing a complete package with executed tabs ensures quick processing. Be sure to include all required documents and answer all questions on tabs.
- Inform us proactively of missing documents and deficiencies so we don't have to stop the process to ask.
- Build your loan file at origination using the 10-Tab system to ensure that all documents are present at origination.

- **Lien and Collateral Issues that Result in Missed Recoveries (Generally a Repair)**
 - Failure to obtain required lien position
 - Failure to properly perfect security interest
 - Failure to fully collateralize loan at origination when additional collateral was available
- **Unauthorized Use of Proceeds**
 - Proceeds disbursed for purpose(s) inconsistent with the loan authorization or subsequent modifications without a business justification. (Could be a Denial if early default and improper use of proceeds caused the failure of the business)
 - Same lender Non-SBA loan paid with PLP loan proceeds (preference)

- **Liquidation Deficiencies (Generally a Repair unless harm is the full value of the outstanding balance)**
 - Failure to conduct Site Visit which resulted in missed recoveries
 - Improper safeguarding or disposition of collateral which resulted in missed recoveries
 - Misapplication of recoveries to lender's loan when SBA-guaranteed loan has lien priority
- **Undocumented Servicing Actions (Generally a Repair)**
 - Liens not properly renewed during servicing on worthwhile collateral
 - Release or subordination of collateral without documented business justification
 - Allowing hazard insurance to lapse on major collateral and collateral was subsequently destroyed
 - Failure to maintain life insurance on principal and principal subsequently dies

- **Early Defaults (Denial if determined to be reason for business failure)**
 - Missing or unsupported verification of required equity injection (includes verification of source in some cases)
 - Missing or unsupported documentation of verification of borrower financial information with IRS when financial information was relied on in lender's credit analysis
- **SBA Loan Eligibility (Denial)**
 - Ineligible franchise
 - Ineligible loan purpose
 - Ineligible loan recipient (loan to an associate of lender)

Care and Preservation of Collateral (CPC) and Legal Expenses

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Care and Preservation of Collateral (CPC) Tabs

Requirements for Reimbursements

In order for SBA to process your request for reimbursement of expenses the following tabs must be completed. Please be sure to complete all information requested and provided the appropriate supporting documentation as noted.

SBA requires copies of detailed invoices to support all reimbursements and expenses deducted from liquidation proceeds. Copies of invoices should clearly identify what service was provided, date of service, by whom, at what location (at the Commercial or Residential Real Estate or other site) and the costs involved. SBA will not be able to reimburse expenses using Lender's internal memos, spreadsheets, accounting records, or other internal documents. Lenders must submit actual invoices on vendor/service provider letterhead detailing service location, service provided, and billing total.

Please limit expense reimbursement requests to quarterly or \$5000 or more.

NOTE: Please be sure to explain any unusual services or unusually high fees or expenses.

The attached tabs have been provided to facilitate an efficient process to review and process requests for reimbursements.

TAB 1	CPC Information Sheet
TAB 2	Recovery Documentation
TAB 3	Legal Fees
TAB 4	Valuations
TAB 5	Asset/Lien Searches
TAB 6	Collateral Expenses
TAB 7	Miscellaneous Expenses

E-mail: SBACPC@SBA.GOV
Fax: (202) 481-4599
Mail: U.S. Small Business Administration
Attn: CPC Department
1145 Hemdon Parkway
Herndon, VA 20170

- We recently created a new tab system for lenders to submit requests for CPC and Legal Expense reimbursement.
- These tabs are similar to the 10-Tabs for the purchase process, in that they guide you through what we need and why, to ensure proper submission the first time.
- They can be used to submit reimbursement requests at the time of purchase or anytime after.
- The new tabs are available at www.sba.gov/banking in the forms library and under the liquidation section of the NGPC website.

Care and Preservation of Collateral (CPC) and Legal Expenses

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CPC Expense Reimbursement Information Sheet **1**

Lender Name:

Borrower Name:

SBA Loan Number:

1. REQUEST (Please only include expenses that have not previously been submitted):

Total Expenses Incurred for this Request	
Amount of Expenses Deducted from Recoveries	-
Total Amount of Requested Reimbursement	=

2. ORIGINAL COLLATERAL:
Please attach a list of original collateral behind this tab.

3. REMAINING COLLATERAL:
Please attach a list of remaining collateral behind this tab.

4. DETAILS REGARDING THE DISPOSITION OF COLLATERAL:
Please attach either a wrap up report if liquidation is complete or the details of the disposition of collateral to date behind this tab.

5. Companion Loans:
Please attach a detailed list of any SBA Guaranteed or non-SBA companion loans

6. COMMENTS OF LENDER:
If you have additional information that you would like the loan specialist reviewing your request to have, please attach a statement behind this tab. Be sure to include justification for cases where expenses exceed the amount of recovery.

7. LENDER CONTACT INFORMATION:

Contact Name:

Mailing Address:

Email Address:

Phone Number:

Fax Number:

Lender Tax Identification Number:

CPC Expense Reimbursement Information Sheet **1**

- The first tab collects information that describes the request and provides critical information necessary to process it.
- Be sure to include all requested information to ensure accurate processing.

- The remaining tabs look much like this one.
- This tab is specific to Legal expense reimbursement requests.
- NGPC can only process legal expense requests under \$10,000 – all others must be sent to District Counsel.

- The Center has developed another Tab system for the lenders to use to prepare and send in Offer in Compromise (OIC) requests for approval.
- All OICs must have SBA approval.
- They are available on our website at:
http://www.sba.gov/idc/groups/public/documents/sba_program_office/oic_tabs_ngpc.pdf

Unilateral Action Matrix

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SBA Servicing and Liquidation Actions
 7(a) Lender Matrix

Please see Footnotes at end of document. All lender actions must comply with loan program requirements.

	Use E-Tran	Unilateral Actions Notify SBA?		Requires prior SBA Approval	Form 2237 ¹⁰
		Yes	No		
Approved Loans Prior to Initial Disbursement - See SOP 58 18.5, Subpart B					
Increase / decrease loan amount or guaranty percentage				X	X
Change initial disbursement date		X			
Change maturity date	X				X
Change interest rate ¹			Not permitted		
Other changes to loan authorization:					
Loan submitted and approved under delegated authority ²			X		
Loan approved by the Standard 7(a) Loan Guaranty Processing Center				X	
Change EIN or SSN		X			
Change borrower's address or legal/trade name of business	X				X
Cancel loan	X	X			X
Actions after Initial Disbursement - Loans in Servicing or Liquidation Status					
<i>See SOP 58 58, SOP 58 51 and 13 CFR 120.535 and 120.536</i>					
Increase / decrease SBA's guaranty percentage				X	
Confer preference ³ on lender or engage in activity that creates conflict of interest				X	
Release borrower or guarantor				X	
Compromise principal balance owed ⁴				X	
Assumption of loan with release of original borrower / guarantor				X	
Take title to any property in the name of SBA				X	
Take title to environmentally contaminated property, or take over operation and control of a business that handles hazardous substances or hazardous wastes				X	
Emergency purchase from secondary market				X	
Determination of involuntary prepayment / subsidy recoupment fee				X	
Reinstatement of SBA guaranty				X	
Increase loan amount				X	X
Transfer or sell more than 90% of a loan				X	
Transfer or sell 90% or less of a loan		X			X
Decrease loan amount		X			X
Extend final disbursement date		X			X
Cancellation of SBA guaranty before guaranty purchase		X			
Extend maturity (action done prior to stated maturity) ^{5,6}	X	X			X
Reamortize / restructure loan ⁷		X			
Change interest rate within loan program guidelines ^{8,9}		X			
Change EIN or SSN		X			
Change borrower's address or legal/trade name of business	X	X			X
Transfer loan into liquidation status		X			
Return loan to regular servicing status		X			
Change a loan to PIF status		X			
Assumption of loan without release of original borrower / guarantor		X			
Change loan from revolver to non-revolver	X	X			

Version 5 1/2010
¹⁰Please check the SBA Website for the most up to date version.

•The two servicing centers and NGPC collaborated to create the Unilateral Action Matrix.

•This document is designed to assist the lenders in understanding what actions require SBA approval, SBA notification, and are unilateral.

•During the purchase process we are concerned with materiality and harm. As long as the actions you take are documented, prudent, and don't cause harm to the Agency, the Center will generally not be concerned with them at the time of purchase.

- Lenders are responsible for keeping SBA informed of liquidation activities after purchase.
- Lenders should provide this information via the Quarterly Status Report.
- Send Reports to sbachargeoff@sba.gov or mail to NGPC.
- The future of Quarterly Reporting...

Wrap-Up Reports

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- When you are satisfied that all collection efforts have been exhausted and liquidation is complete, you should notify the Center immediately so that we may charge-off the loan.
- Our goal is to charge-off a loan as soon as it is ready. We rely on our Lending Partners to keep us apprised of the status of each of their loans.
- When you believe a loan is ready for charge-off, please prepare and submit a final wrap-up report to sbchargeoff@sba.gov or mail it to NGPC.
- A sample format is available at on the NGPC website. Click on the Liquidation Process link and refer to the “*Closing the Case*” section

Why Do We Need To Hear From You?

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- Our current portfolio of purchased loans in liquidation status includes 1,168 lenders.
- 88% of the lenders have less than 10 loans in their portfolio.
- 45% of the lenders have only 1 loan.

National Guaranty Purchase Center

1145 Herndon Parkway

Herndon, VA 20170

Phone: 703-487-9283

Toll Free: 877-488-4364

Fax: 703-487-9944

Center Hours: Monday-Friday, 8:00 am to 4:30 pm, Eastern Time

Email Inquiries:

loanresolution@sba.gov – general questions

secondarymarketliq@sba.gov – secondary market questions

sbapurchase@sba.gov - status of purchase questions

sbachargeoff@sba.gov – quarterly status reports and wrap-up reports

Website -

<http://www.sba.gov/aboutsba/sbaprograms/elending/ngpc/index.html>

Questions

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